

COUNTY OF KNOX, MAINE

*FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT*

*FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2017*

**COUNTY OF KNOX
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
 DECEMBER 31, 2017**

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**COUNTY OF KNOX
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
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INDEPENDENT AUDITOR'S REPORT

June 14, 2018
County Commissioners
County of Knox
Rockland, ME 04841

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Knox, Maine as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Knox, Maine as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension disclosure schedules on pages 3-8, 38, and 39-40 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Knox, Maine's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2018, on our consideration of the County of Knox, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Knox, Maine's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Knox, Maine's internal control over financial reporting and compliance.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA

County of Knox
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2017

Management of County of Knox provides this *Management's Discussion and Analysis* of the County's financial performance for readers of the County's financial statements. This narrative overview and analysis of the financial activities of the County is for the fiscal year ended December 31, 2017. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

The financial statements herein include all of the activities of County of Knox (the County) using the integrated approach as prescribed by Government Accounting Standards Board (GASB) Statement No. 34 and related subsequent statements.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights:

Net position – The assets of the County exceeded its liabilities at fiscal year ending December 31, 2017 by \$30,332,027 (presented as “net position”). Of this amount, \$2,200,182 was reported as “unrestricted net position”. Unrestricted net position represents the amount available to be used to meet the County's ongoing obligations to citizens and creditors.

Changes in Net position – The County's total net position increased by \$1,514,145 (a 5.3 % increase) for the fiscal year ended December 31, 2017.

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended December 31, 2017; the County's governmental funds reported a combined ending fund balance of \$3,090,506 with \$1,665,177 being general, jail, airport, and dispatch unassigned fund balance. This unassigned fund balance represents approximately 16% of the total general, jail, airport and dispatch funds expenditures for the year. \$1,005,368 general unassigned fund balance represents 21% of the total general fund expenditures for the year.

Long-term Debt:

The County's total long-term debt obligations decreased by \$170,000 (9.3%) during the current fiscal year no new debt obligations were issued. Existing debt obligations were paid according to schedule. Additional information on the County's debt can be found in Note 3F of the notes to the financial statements on page 26-27 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (budgetary comparison) and other supplementary information. These components are described below:

Government-wide Financial Statements

The Government-wide financial statements present the financial picture of the County from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the County (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain elimination entries have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

The fund financial statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the County’s government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County’s own programs. Reconciliation of the fund financial statements to the Government-wide financial statements is provided to explain the differences created by the integrated approach.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

The fiduciary fund financial statements can be found on page 15 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

The notes to the financial statements can be found on pages 16-37 of this report.

Required Supplementary Information

This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary) and pension plan schedules.

Required supplementary information can be found on pages 38-40 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

92% of the County's net position reflects its investment in capital assets such as land, buildings, and equipment less any related debt used to acquire those assets that are still outstanding. The County uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

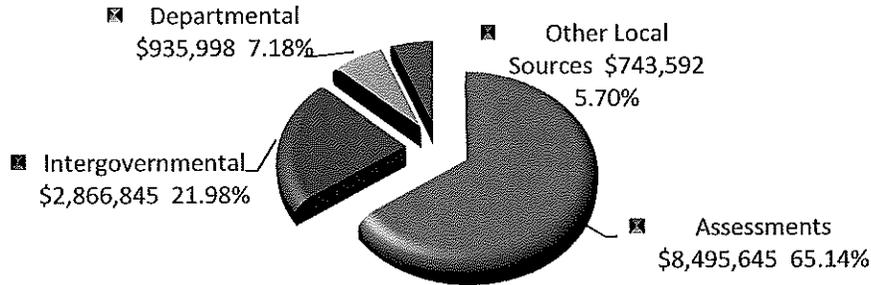
	Total 2017	Total 2016
Current Assets	3,742,502	3,863,560
Capital Assets	30,346,086	28,649,286
Total Assets	34,088,588	32,512,846
Total Deferred Outflows of Resources	540,703	349,406
Total Assets and Deferred Outflows of Resources	34,629,291	32,862,252
Current Liabilities	2,171,334	1,852,304
Other Liabilities	1,902,761	2,120,680
Total Liabilities	4,074,095	3,972,984
Related to Pensions	223,169	71,386
Total Deferred Inflows of Resources	223,169	71,386
Net Position:		
Net Investment in Capital Assets	28,054,165	26,307,238
Restricted	77,680	128,282
Unrestricted	2,200,182	2,382,362
Total Net Position	30,332,027	28,817,882
Total Liabilities, Deferred Inflows of Resources, and Net Position	34,629,291	32,862,252

Changes in Net position

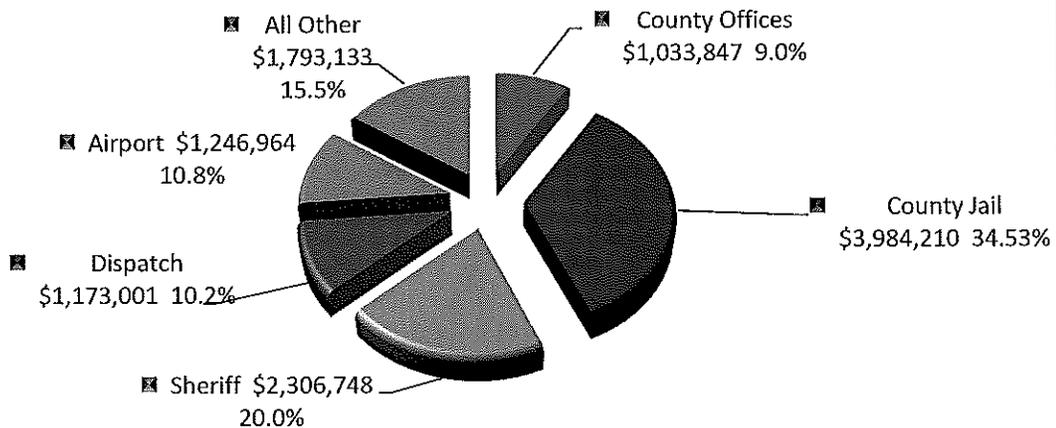
Approximately 65 percent of the County's total revenue came from assessments, approximately 22 percent came from State subsidies and grants, and approximately 13 percent came from services, investment earnings and other sources. Depreciation expense on the County's governmental assets represents \$1,085,994 of the total expenditures for the fiscal year.

	Total 2017	Total 2016
Revenues:		
District Assessments	8,495,645	8,321,984
Intergovernmental Revenues	2,866,845	1,823,865
Departmental Revenues	935,998	866,729
Other Local Sources	753,560	743,592
Gain on Sale of Assets		
Total	13,052,048	11,756,170
Expenses:		
Emergency Management Agency	336,019	359,117
District Attorney	507,583	498,503
Administration & Information Tech.	526,264	500,809
County Finance	287,662	261,866
Building Maintenance	283,769	363,024
Building Maintenance - 301 Park St.	113,224	60,215
Debt Service	46,437	49,852
County Jail	3,984,210	3,659,794
Registry of Deeds	242,130	273,381
Probate Court	256,991	247,068
Sheriff's Patrol	2,306,748	2,219,943
Dispatch	1,173,001	1,067,374
Airport	1,246,964	1,177,115
Annual OPEB Cost	49,011	58,115
All Other	177,890	181,202
	11,537,903	10,977,378
Changes in Net Position	1,514,145	778,792

Revenues By Source - Governmental Activities



Expenditures By Source - Governmental Activities



FINANCIAL ANALYSIS OF THE COUNTY'S INDIVIDUAL FUNDS

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the County's governmental funds reported ending fund balances of \$3,090,506 a decrease of \$253,850 in comparison with the prior year. 54% percent of this total amount constitutes unassigned fund balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

Variances between actual General Fund revenues and expenditures and the final amended budget included the following:

- \$28,754 negative variance in sheriff income. The variance is due to Northaven deputy position open partial year and shellfish warden personnel change.
- \$19,722 negative variance in building maintenance contractual services. The variance is due to heating repairs and maintenance.
- \$46,895 negative variance in building maintenance 301 Park St contractual services. The variance is due to A/C repair and heating repairs and maintenance.
- \$34,370 positive variance in sheriff personnel services. The variance is due to open positions.
- \$34,519 positive variance in sheriff capital outlay. The variance is due to a delay in projects. The funds for these projects were transferred to reserves to use in FY 2018.
- \$220,120 positive variance in jail personnel services. The variance is due to open positions and transfer of \$19,212 to retirement reserve.
- \$169,547 negative variance in jail contracted services. The variance is due to legal and medical more than budgeted. Boarding of prisoners offset by personnel services.
- \$37,850 negative variance in airport contractual. The variance is due to legal, runway maintenance, electricity, building repairs & maintenance, and gas more than budgeted.

CAPITAL ASSET ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities amounts to \$42,292,663 net of accumulated depreciation of \$11,946,577 leaving a net book value of \$30,346,086.

Additional information on the County's capital assets can be found in Note 3D of the notes to the financial statements on page 24 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all citizens, taxpayers, investors and creditors. This financial report seeks to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: County of Knox, 62 Union St., Rockland, ME 04841.

COUNTY OF KNOX
STATEMENT OF NET POSITION
DECEMBER 31, 2017

Exhibit A

<i>Assets and Deferred Outflow of Resources</i>	<u>Governmental Activities</u>
Cash and Equivalents	1,764,951
Investments	1,178,874
Accounts Receivable	195,008
Prepaid Expenditures	79,727
Due from Other Governments	523,942
Capital Assets:	
Land	2,780,344
Other Capital Assets, Net of Depreciation	27,565,742
Total Assets	<u><u>34,088,588</u></u>
 <i>Deferred Outflows of Resources</i>	
Related to Pensions	540,703
Total Deferred Outflows of Resources	<u>540,703</u>
 Total Assets and Deferred Outflows of Resources	<u><u>34,629,291</u></u>
 <i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	
Liabilities	
Accounts Payable	21,464
Retainage Payable	171,245
Accrued Salaries	239,858
Compensated Absences	557,643
Net Post Employment Benefits Obligation	485,302
Long-term Liabilities:	
Net Pension Liability	477,907
Due Within One Year	217,915
Due in More Than One Year	1,902,761
Total Liabilities	<u>4,074,095</u>
 <i>Deferred Inflows of Resources:</i>	
Related to Pensions	223,169
Total Deferred Inflows of Resources	<u>223,169</u>
 Net Position	
Net Investment in Capital Assets	28,054,165
Restricted Net Position	77,680
Unrestricted	2,200,182
Total Net Position	<u>30,332,027</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>34,629,291</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

COUNTY OF KNOX
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Exhibit B

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Total</u>
	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants</u>	
<u>Primary Government</u>				
<u>Governmental Activities</u>				
Emergency Management Agency	336,019	341	108,380	(227,298)
District Attorney	507,583	20,881	55,000	(431,702)
Administration and Information Technology	526,264			(526,264)
County Treasurer	287,662	6,736		(280,926)
Building Maintenance	281,769	90,038	24,995	(166,736)
Building Maintenance - 301 Park St.	115,224			(115,224)
Debt Service	46,437			(46,437)
County Jail	3,984,210	49,175	569,256	(3,365,779)
Registry of Deeds	242,130			(242,130)
Probate Court	256,991	135,642		(121,349)
Sheriff's Patrol	2,306,748	246,918	60,524	(1,999,306)
Dispatch	1,173,001			(1,173,001)
Annual Post Employment Benefit Costs	49,011			(49,011)
Airport	1,246,964	449,556	54,750	(742,658)
All Other	177,890			(177,890)
<u>Total Governmental Activities</u>	<u>11,537,903</u>	<u>999,287</u>	<u>872,905</u>	<u>(9,665,711)</u>
<u>Total Primary Government</u>	<u>11,537,903</u>	<u>999,287</u>	<u>872,905</u>	<u>(9,665,711)</u>
<u>General Revenues:</u>				
Assessments				8,495,645
Registry of Deeds Fees				459,532
Airport Federal and State Grants for Capital Assets & Infrastructure				2,069,946
Emergency Management Federal Grant for Capital Assets				65,242
Other Local Sources				89,491
<u>Total Revenues, Special Items and Transfers</u>				<u>11,179,856</u>
<u>Changes in Net Position</u>				<u>1,514,145</u>
<u>Net Position - Beginning</u>				<u>28,817,882</u>
<u>Net Position - Ending</u>				<u>30,332,027</u>

The accompanying notes to the financial statements are an integral part of this statement.

COUNTY OF KNOX
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2017

Exhibit C
Page 1 of 2

Assets	General Fund	Airport Extend Runway	Capital Improvements	Other Governmental Funds	Total
Cash and Equivalents	1,644,643		60	120,248	1,764,951
Investments	522,148		656,726		1,178,874
Accounts Receivable	192,036			2,972	195,008
Prepaid Expenditure				79,727	79,727
Due from Other Funds	1,023,256		46,886	6,505	1,076,647
Due from Other Governments		272,135		251,807	523,942
Total Assets	3,382,083	272,135	703,672	461,259	4,819,149
Liabilities					
Accounts Payable	21,464				21,464
Retainage Payable		171,245			171,245
Accrued Salaries	239,858				239,858
Due to Other Funds	519,171	100,890	69,099	387,487	1,076,647
Total Liabilities	780,493	272,135	69,099	387,487	1,509,214
Deferred Inflows of Resources:					
Unavailable Revenues	219,429				219,429
Total Deferred Inflows of Resources	219,429	-	-	-	219,429
Fund Balances					
Restricted				77,680	77,680
Committed	618,454		634,573		1,253,027
Assigned	98,530				98,530
Unassigned	1,665,177			(3,908)	1,661,269
Total Fund Balances	2,382,161	-	634,573	73,772	3,090,506
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	3,382,083	272,135	703,672	461,259	4,819,149

The accompanying notes to the financial statements are and integral part of these statements.

COUNTY OF KNOX
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2017

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance	3,090,506
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$11,974,830	30,346,086
Net Pension Liability	(477,907)
Deferred outflows of resources related to pension plans	540,703
Deferred inflows of resources related to pension plans	(223,169)
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Bonds Payable	(1,650,000)
Unavailable Revenues - Jail	219,429
Lease Payable	(470,676)
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Net Post Employment Benefit Obligation	(485,302)
Accrued Compensated Absences	(557,643)
Net Position of Governmental Activities	<u><u>30,332,027</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

**COUNTY OF KNOX
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017**

*Exhibit D
 Page 1 of 2*

	General Fund	Airport Extend Runway	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues					
Assessments	8,495,645				8,495,645
Intergovernmental Revenues	591,138	1,886,930		388,777	2,866,845
Departmental Revenues	931,122				931,122
Other Local Sources	702,805		45,411	5,344	753,560
Total Revenues	10,720,710	1,886,930	45,411	394,121	13,047,172
Expenditures					
Emergency Management Agency	181,395			90,105	271,500
District Attorney	316,920			191,732	508,652
Administration and Information Technology	490,950				490,950
County Treasurer	286,889				286,889
Building Maintenance	332,232			95,545	427,777
Building Maintenance - 301 Park St.	115,224				115,224
Debt Service	216,437				216,437
County Jail	3,945,517		357,476		4,302,993
Registry of Deeds	245,683				245,683
Probate Court	256,279				256,279
Sheriff's Patrol	2,119,284		9,766	47,939	2,176,989
Dispatch	1,102,471			14,050	1,116,521
Airport	546,346	1,986,242	1,817	172,833	2,707,238
All Other	173,427			4,463	177,890
Total Expenditures	10,329,054	1,986,242	369,059	616,667	13,301,022
Excess of Revenues Over (Under) Expenditures	391,656	(99,312)	(323,648)	(222,546)	(253,850)
Other Financing Sources (Uses)					
Transfers from Other Funds	-	99,312	73,387	226,292	398,991
Transfers to Other Funds	(211,226)		(130,334)	(57,431)	(398,991)
Total Other Financing Sources (Uses)	(211,226)	99,312	(56,947)	168,861	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	180,430	-	(380,595)	(53,685)	(253,850)
Fund Balance - January 1	2,201,731		1,015,168	127,457	3,344,356
Fund Balance - December 31	2,382,161	-	634,573	73,772	3,090,506

(Continued)

The notes to financial statements are an integral part of this statement.

**COUNTY OF KNOX
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2017**

Net change in fund balances - total governmental funds (253,850)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	2,783,154
Capital asset disposals	(360)
Depreciation expense	(1,085,994)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Unavailable Revenues - Jail	4,876
Pension Plans (Deferred Outflows, Net Pension Liability, Deferred Inflows)	(112,480)

Bond proceeds proved current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Bond principal payments	170,000
Capital lease principal payments	51,372

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Annual Post Employment Benefit Cost	(49,011)
Accrued compensated absences	6,438

Change in net position of governmental activities	<u><u>1,514,145</u></u>
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COUNTY OF KNOX
 STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
 DECEMBER 31, 2017

Exhibit E

	<i>Agency Fund</i>		<i>Totals</i>
	<i>Inmate Fund</i>	<i>DA Restitution</i>	
Assets			
Cash and Equivalents	11,506	13,763	25,269
Total Assets	11,506	13,763	25,269
Liabilities			
Due to Victims		13,763	13,763
Due to Inmates	11,506		11,506
Total Liabilities	11,506	13,763	25,269

The notes to financial statements are an integral part of this statement.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Knox have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The County of Knox operates under an elected Board of Commissioners form of government. The County's major operations include airport, jail, sheriff, and general administrative services.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the activities of the County. Fiduciary activities, whose resources are not available to finance the County's programs, are excluded from the government-wide statements. The material effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and various intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Functional expenses may also include an element of indirect cost, designed to recover administrative (overhead) costs. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the respective fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *total economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and trust fund financial statements. Revenues are recognized when transactions occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds, reporting only assets and liabilities, have no measurement focus but use the accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including interest on long-term debt, as well as expenditure related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, sales taxes, interdepartmental charges and intergovernmental revenues are considered susceptible to accrual. Special assessments are recorded as revenues in the year the assessment become current. Annual installments not yet due are reflected as special assessment receivables and deferred revenues. Other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

The General Fund is used to account for all or most of the County's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the servicing of general long-term debt (debt service fund). The General Fund is used to account for all activities of the general government not accounted in some other fund.

The snow removal equipment building accounts for all expenditures relating to the snow removal equipment building project.

The airport rehabilitate runway accounts for all expenditures relating to the airport rehabilitate runway project.

Additionally, the County reports the following fund types:

Fiduciary funds are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the County's own programs.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and charges between the business-type functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, fines and forfeitures, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service funds are charges to customers for goods and services. Operating expenses include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net position or Fund Equity

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. These investments are not specifically identified with any one fund. Interest is allocated to the individual funds on the basis of average cash balances.

The County may invest in certificates of deposit, in time deposits, and in any securities in which the state investment officer is authorized to invest pursuant to the Maine Statute 5705 Title 30-A and as provided in the authorized investment guidelines of the Maine Statutes 5711 through 5719 in effect on the date the investment is made.

Investments in the Pension Trust Fund are carried at fair value. Investments in other funds are carried at fair value, except for short-term investments, which are reported at amortized cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value, based on relevant market information of similar financial instruments. Income from investments held by the individual funds is recorded in the respective funds as it is earned.

2. Receivables and Payables

Transactions between funds that result in outstanding balances are reported as due to/from other funds.

Revenues for the most part are recorded when received, except for the following items for which receivables have been recorded:

- a. Certain grants received from other governments require that eligible expenditures be made in order to earn the grant. Revenue for these grants is recorded for the period in which eligible expenditures are made.
- b. Various service charges are recorded as revenue for the period when service was provided. The receivables for such services are shown on the balance sheet.

3. Inventories

Inventories are valued at cost, using the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased, however, material amounts of inventories are reported as assets of their respective funds. Reported inventories in the government funds are equally offset by a fund balance reserve which indicates that the assets are not available for appropriation even though they are a component of reported assets.

4. Capital Assets

Capital assets, which property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued.)

4. Capital Assets (continued)

estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50-100
Infrastructure	30-50
Equipment	5-30

5. Deferred Inflows/Outflows of Resources

In addition to assets and liabilities, the statement of net position and the governmental fund balance sheet will report a separate section for deferred outflows and/or inflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period(s) and therefore will not be recognized as an expense/expenditure until then. Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and therefore will not be recognized as revenue until that time. The School Department has an item that qualifies as deferred outflows of resources, and it has an item that qualifies as a deferred inflow. Both items are related to pensions. These amounts are considered unavailable and will be recognized as an outflow of resources (expenditure) and an inflow of resources (revenue) in the period that the amounts become available.

6. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Employees Retirement System (System) and additions to/deductions from MPERS' fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable pursuant to formal commitments or statutory requirements. Investments are reported at fair value. Investment income is recognized when earned and investment expenses are recorded when incurred.

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

D. Assets, Liabilities and Net position or Fund Equity (continued)

7. Compensated Absences

County employees generally earn vacation days at a variable rate based on years of service. In the event of termination, an employee is reimbursed for all accumulated vacation time upon complying with county policies.

Employees earn sick leave proportionate to regularly scheduled hours for a maximum of 8 hours, accumulative to a maximum of 120 working days. Upon retirement or resignation, an employee in good standing is entitled to payment for one-half of accrued sick leave of not more than 90 days accumulation.

In the fund financial statements, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave in the government-wide financial statements is recorded as an expense and liability of the fund as the benefits accrue to employees. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulated right to receive sick pay benefits.

8. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position.

9. Fund Balances/Net position

Fund Balances

In accordance with Government Accounting Standards Board 54, fund balance reporting and governmental fund type definitions, the County classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through County commissioner voting and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the County Treasurer.

Unassigned – includes positive fund balance within the general fund which has not been classified within the above mentioned categories and negative fund balance in other governmental funds.

The County considers restricted, committed, assigned, and unassigned amounts to be spent in that order when expenditures for which any of those amounts are available.

The County follows the fund balance policy pursuant to Maine Statute Title 30-A.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

D. Assets, Liabilities and Net position or Fund Equity (continued)

9. Fund Balances/Net position (continued)

Fund Balances

The County has identified December 31, 2017 fund balances on the balance sheet as follows:

	<i>General</i>	<i>Capital</i>	<i>Other</i>	
	<i>Fund</i>	<i>Improvements</i>	<i>Governmental</i>	<i>Total</i>
			<i>Funds</i>	
<u>Restricted</u>				
Victim/Witness Advocate Grant			6,317	6,317
Local Emergency Planning Committee			71,363	71,363
<u>Committed</u>				
General Reserves	618,454			618,454
Capital Improvements		634,573		634,573
<u>Assigned</u>				
Inmate Fund	98,530			98,530
<u>Unassigned</u>				
General Fund	1,005,368			1,005,368
Jail Fund	409,555			409,555
Airport Fund	42,680			42,680
Dispatch Fund	207,574			207,574
Wellness Grant			(555)	(555)
Airport Snow Removal Equip. Bld.			(545)	(545)
Airport Obstruction Removal			(708)	(708)
Airport Misc. Proj. #52			(2)	(2)
Airport Design & Permitting			(264)	(264)
Airport Environmental Assessment			(642)	(642)
Airport Master Plan Update			(70)	(70)
Airport Rehabilitate Runway			(1,122)	(1,122)
Total Fund Balance	2,382,161	634,573	73,772	3,090,506

Net position

Net position are required to be classified into three components -- net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in capital assets -- This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portions of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

D. Assets, Liabilities and Net position or Fund Equity (continued)

9. Fund Balances/Net position (continued)

Restricted – This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The County utilizes a formal budgetary accounting system to control revenues accounted for in the general fund. These budgets are established in accordance with the various laws which govern the County’s operations. The County Commissioners submit an itemized budget estimate to the budget committee no later than 60 days before the end of the County’s fiscal year. The budget committee (made up of elected officials from various Counties/cities) reviews the proposed itemized budget prepared by the County Commissioners, together with any supplementary material prepared by the head of each County department or provided by any independent board or institution or another governmental agency. The budget committee may increase, decrease, or alter the proposed budget. The budget committee then holds a public hearing in the County on the proposed budget before the end of the County’s fiscal year and before the final adoption of the budget.

After the public hearing is completed, the budget committee adopts a final budget and transmits that budget to the county commissioners. The county commissioners may not further increase, decrease, alter, and revise the budget as adopted by the budget committee, except by unanimous vote of the county commissioners. If the adopted budget is changed by the county commissioners, the budget committee may reject that change by a 2/3 vote of its membership. Those actions are final and are not subject to further action by either the county commissioners or the budget committee.

The budget as adopted and changed is the final authorization for the assessment of county taxes. The approved final budget is sent to the county commissioners and the county tax authorized is apportioned and collected.

All annual appropriations lapse at the year-end except for capital appropriations, which are encumbered if approved by the County Commissioners.

The Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Exhibit F) reconciles financial data on a budgetary basis for the government’s general fund to the data shown on the Combined Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit D). The major difference is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).

C. Reserved For Contingency - General Fund

Title 30-A, Section 922, Maine Revised Statutes Annotated of 1964 states that at the end of each fiscal year, there must be transferred from unencumbered county funds an amount sufficient to restore the established county contingent account.

At December 31, the County’s contingency account remained at its established balance.

**COUNTY OF KNOX
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017**

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The County's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State Statute 5706 require banks to give bond or to pledge government securities (types of which are specifically identified in the Statutes) to the County Treasurer in the amount of the County's deposits. The Statutes allow pledged securities to be reduced by the amount of Federal Deposit Insurance County (FDIC).

One or more of the financial institutions holding the County's cash accounts are participating in the FDIC Transaction Account Guarantee Program. For all accounts, the County's cash deposits, including certificates of deposits, are insured up to \$250,000 per custodian by the FDIC. Any cash deposits or certificates of deposits in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the County and thus no custodial risk exists.

At year-end, the carrying value of the County's deposits was \$1,790,220 and the bank balance was \$2,304,825. Of the bank balance, \$2,304,825 was covered by federal depository insurance.

B. Investments

At December 31, 2017, the County had the following investments, maturities, and credit ratings:

<i>Type</i>	<i>Fair Value</i>	<i>Maturities in Years</i>				<i>Credit Rating</i>	
		<i>< 1</i>	<i>1-5</i>	<i>6-10</i>	<i>> 10</i>	<i>S&P</i>	<i>Moody's</i>
<i>All Funds</i>							
U.S. Treasury Securities	1,178,874	11,643	959,782	207,449		AAA	AAA
	1,178,874	11,643	959,782	207,449	-		

Investment Policies

Generally, the County's investing activities are managed under the custody of the County Treasurer. Investing is performed in accordance with the investment policy adopted by the County Commissioners complying with state statutes. The County may invest in securities permitted under 30-A MRSA 5712, 5713, 5714, 5715, and 5716. Upon approval of the County Commissioners, the treasurer of the trustee(s) of a trust fund of the County, may enter into safekeeping and investment management agreements and/or investment advisory agreements in accordance with 30-A MRSA 5706(4) and the investment funds pursuant to any such agreements shall be governed by the rule prudence as set forth in 18-A MRSA 7-302.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
NOTE 3 - DETAILED NOTES ON ALL FUNDS

C. Assessments

The County's property tax assessment is levied and recognized annually on the assessment values for each municipality located in the county. Assessment values are established for each municipality by the state. For the year-ended December 31, 2017, the tax assessment was calculated as follows:

Assessed Valuation	
Real and personal estates	\$ 7,219,800,000
Unorganized territories	<u>19,350,000</u>
Total assessed valuation	7,239,150,000
Tax rate	<u>0.0010269</u>
Current tax commitment	<u>\$ 7,433,690</u>
Appropriations	9,306,592
Overlay	<u>145,759</u>
	9,452,351
Less:	
Estimated revenues	<u>(2,018,661)</u>
Current tax commitment	<u>\$ 7,433,690</u>

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Governmental Activities;				
<i>Capital assets not being depreciated</i>				
Land	2,780,344			2,780,344
<i>Capital assets being depreciated</i>				
Buildings	13,197,018	624,579		13,821,597
Equipment	5,813,247	155,677	(28,613)	5,940,311
Infrastructure	17,747,514	2,002,898		19,750,412
<i>Total capital assets being depreciated</i>	36,757,779	2,783,154	(28,613)	39,512,320
<i>Less accumulated depreciation for</i>				
Buildings	3,780,509	281,168		4,061,677
Equipment	3,003,194	368,431	(28,253)	3,343,372
Infrastructure	4,105,134	436,395		4,541,529
<i>Total accumulated depreciation</i>	10,888,837	1,085,994	(28,253)	11,946,578
<i>Net capital assets being depreciated</i>	25,868,942	1,697,160	(360)	27,565,742
Governmental Activities Capital Assets, net	28,649,286	1,697,160	(360)	30,346,086

Depreciation expense was charged to functions/programs of the primary government as follows;

<u>Governmental Activities</u>	
Emergency Management	75,608
District Attorney	518
County Commissioners	34,768
County Treasurer	106
Building Maintenance	13,164
County Jail	135,137
Probate Court	767
Sheriff's Patrol	105,072
Dispatch	92,694
Airport	628,160
Total Depreciation Expense - Governmental Activities	1,085,994

**COUNTY OF KNOX
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Leases

The County is obligated under certain leases accounted for as capital leases. Obligations under capital leases have been recorded in the general long-term debt account group in the accompanying financial statements at the present value of future minimum lease payments. Future minimum lease payments under these capital leases and the net present value of the future minimum lease payments are as follows:

<i>Year Ended June 30</i>	<i>Minimum Lease Payment</i>
2018	67,088
2019	67,088
2020	67,088
2021	67,088
2022	67,088
2023	67,088
2024	67,088
2025	67,087
Total Minimum Lease Payments	<u>536,703</u>
Less: Amount Representing Interest	<u>66,027</u>
Present Value of Future Minimum Lease Payments	<u><u>470,676</u></u>

F. Long-Term Debt

1. General Obligation Bonds and Notes.

The government issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and notes currently outstanding are as follows:

<i>General Obligation</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Amount</i>
2013 301 Park St. Building	11/15/2027	2.25-4%	<u><u>1,650,000</u></u>

**COUNTY OF KNOX
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt (continued)

1. General Obligation Bonds and Notes. (continued)

Annual debt service requirements to maturity for general obligation bonds and notes, including interest of \$195,936 are as follows:

<i>Year Ended December 31,</i>	<i>General Obligation Debt</i>
2018	202,331
2019	197,381
2020	192,431
2021	189,131
2022	185,831
2023-2027	878,831
Total	<u><u>1,845,936</u></u>

2. Changes in Long-Term Liabilities

The following summary of long-term debt transactions of the County of Knox for the fiscal year ended December 31, 2017:

<i>Long-term Debt payable January 1, 2017</i>	1,820,000
Debt Issued	
Debt Retired	<u>(170,000)</u>
<i>Long-term Debt payable December 31, 2017</i>	<u><u>1,650,000</u></u>

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at December 31, 2017, were as follows:

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
General Fund	1,023,256	519,171
Special Revenue Funds		
Wellness Grant		610
Victim/Witness Advocate Grant	6,317	
Local Emergency Planning Committee	188	
Bullet Proof Vest Grant		225
Capital Project Funds		
Airport Misc. Proj. #52		13,902
Airport Snow Removal Equip. Bld.		49,445
Airport Obstruction Removal		708
Airport Design & Permitting		264
Airport Environmental Assessment		5,819
Airport Master Plan Update		70
Airport Extend Runway		100,890
Airport RSA Improvement Project		151,818
Airport Passenger Facility		65,584
Airport Rehabilitate Runway		99,042
Capital Improvements	46,886	69,099
Totals	<u>1,076,647</u>	<u>1,076,647</u>

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. On the Governmental Fund financial statements, the payables are classified as Due to Other Funds with offsetting receivables on the Governmental Fund financial statements classified as Due from Other Funds. The amount due to the capital project funds represents airport projects appropriations and grant receivables and will be repaid upon receipts and use of the funds for these projects. The remainder of the above balances will be repaid during the next year.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Interfund Receivables and Payables (continued)

Transfers To/From Other Funds at December 31, 2017, were as follows:

	<i>Transfers From</i>	<i>Transfers To</i>
General Fund		211,226
Special Revenue Funds		
Victim/Witness Advocate Grant	137,839	
Historic Preservation Grant	70,550	
Capital Projects		
Airport Snow Removal Equip.	10,497	
Airport Obstruction Removal	4	
Airport Misc. Proj. #52	1,618	
Airport Design & Permitting	4	
Airport Environmental Assessment	300	
Airport Master Plan Update	8	
Airport Extend Runway	99,312	
Airport RSA Improvement Project	3,794	
Airport Passenger Facility		57,431
Airport Rehabilitate Runway	1,678	
Capital Improvements	73,387	130,334
Totals	398,991	398,991

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) transfer funds to general fund to cover expenditures voted on per County Commissioners.

NOTE 4 - OTHER INFORMATION

A. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the government expects such amount, if any to be immaterial.

There are various claims and suits pending against the County which arise in the normal course of the County's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect in the financial position of the County.

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 - OTHER INFORMATION (Continued)

B. Pension Plans

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to full time county employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Loans are permitted through the plan.

The plan is administered by an independent company, and the County remits all compensation deferred to this administrator for investment as requested by the participant employees. All assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries.

The County has adopted a 401 Qualified Plan for which an independent company is the plan administrator.

The County contributes 7% of earnings on behalf of each participant for the plan year. Each participant is required to contribute 3% of earnings for the plan year as a condition of participation. All full-time, salaried management, public safety, and elected officials, excluding commission, are eligible to participate. Normal retirement age shall be 55.

Participants vesting requirements are fulfilled at 5 years of service. The County has contributed \$220,247 and the participants have contributed \$95,897 for the year-ended December 31, 2017.

A participant may direct the investment without restriction among various options available under the trust. Loans are permitted through the plan.

Effective January 1, 2002, the County implemented a cafeteria benefit plan pursuant to section 125 of the IRS code. Under this plan, eligible employees may direct a contribution, made by the employees, into any combination of the following benefit categories:

1. Health Care Reimbursement Plan;
2. Dependent Care Assistance Account;

Eligible employees may elect to contribute pre-tax dollars to these categories. Under no circumstances may an employee direct more than \$5,000 annually into the Dependent Care Assistance Account and \$2,550 for health care.

All regular full-time employees who are eligible to join the County's major medical plan are eligible to participate in this plan. The plan year adopted by the County begins on January 1 and ends on December 31.

To obtain reimbursement of expenses incurred within a plan year within the spending accounts, employees must submit claims within 30 days of the end of the plan year or separation from the County, whichever comes first. Funds unclaimed after 30 days of the close of the plan year are then remitted to the County. There is a \$500 carryover maximum.

C. Defined Benefit Employee Pension Plan

Plan Description

Qualifying personnel of the County participate in the Maine Public Employees Retirement System (System) Participating Local District Consolidated (PLD) Plan. The plan is a multiple-employer, cost-sharing pension

**COUNTY OF KNOX
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017**

NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

plan. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of County employees, while County's contribute the normal cost, calculated actuarially, for their members.

Pension Benefits

Benefit terms are established in Maine Statute. For the PLD Consolidated Plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend them. The System's retirement programs provide defined retirement benefits based on member's average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for PLD employees is age 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.45%.

Member and Employer Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or System's Board of Trustees and depend on the terms of the Plan under which a member is covered. Employer contribution rates are determined through actuarial valuations. For the year ended December 31, 2017, the member contribution rate was 9.5% for special - 3N plan for the year of applicable member compensation. The employer contribution rate was 7.4% for special -3N plan for first six months and 7.5% for Special - 3N plan for remaining six months of applicable member compensation.

The required contributions paid into the System for the year ended December 31, 2017 and the previous two years are as follows:

<i>For the year ended December 31,</i>	<i>Employee Contributions</i>	<i>Employer Contributions</i>	<i>Applicable Member Compensation</i>
2017	\$ 85,287	\$ 66,877	\$ 897,758
2016	\$ 78,427	\$ 61,047	\$ 847,190
2015	\$ -	\$ -	\$ -

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

Revenue Recognition

Employer contributions to the System are recognized as additions in the period when they become due pursuant to formal commitments or statutory requirements. Investment income is recognized when earned and investment expenses are recorded when incurred. The Schedule of Employer Allocations for the PLD Consolidated Plan reflects current year employer contributions, adjusted to remove contributions related to employer specific liabilities to the Plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of December 31, 2017, the County reported a net pension liability of \$477,907. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At June 30, 2017, the County's proportion was .129123%, which was an increase of 0.067784% from its proportion measured at June 30, 2016.

For the fiscal year ended December 31, 2017, the County recognized pension expense of \$66,877. At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience		25,399
Changes in Assumption	44,987	-
Net Difference between projected between projected and actual earnings on pension plan investments	182,197	196,735
Changes in proportion and differences between employer contributions and proportionate share of contributions	280,308	1,035
Employer Contributions made subsequent to measurement date	33,211	
	540,703	223,169

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	
2018	<u>129,674</u>
2019	<u>187,932</u>
2020	<u>3,547</u>
2021	<u>(35,994)</u>

Actuarial Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2017, using the following methods and assumptions, applied to all periods included in the measurement:

The Entry Age Normal cost method is used to develop costs. Under this cost method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his expected future salary. The normal cost for each employee is the product of his pay and his normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., actual decreases or increases in liabilities and/or in assets which differ from the actuarial assumptions, affect the unfunded actuarial accrued liability.

The actuarial valuation employs a technique for determining the actuarial value of assets which reduces the impact of the short-term volatility in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 are as follows:

Inflation	2.75%
Salary Increases	2.75-9% at selected years of service
Cost of Living Benefits	2.20%
Investment Rate of Return	6.875%, per annum, compounded annually

For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Public Equities	30.0%	6.0%
US Government	7.5%	2.3%
Private Equity	15.0%	7.6%
Real Assets:		
Real Estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural Resources	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	4.2%
Diversifiers	10.0%	5.9%
	100%	

Discount Rate

The discount rate used to measure the collective total pension liability was 6.875% for 2017. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 6.875% as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.875%) or 1 percentage point higher (7.875%) than the current rate:

	<i>1% Decrease</i>	<i>Current Discount</i>	<i>1% Increase</i>
	<i>(5.875%)</i>	<i>Rate (6.875%)</i>	<i>(7.875%)</i>
Proportionate Share of the Net Pension Liability	\$ 1,037,696	\$ 477,907	\$ 52,133

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information with respect to the Plans can be found in the System's 2017 Comprehensive Annual Financial Report online at www.mainePers.org or contacting the System at (207) 512-3100.

D. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage and destruction of assets; errors and omissions; and natural disasters for which the County participated in public entity risk pools.

The County is also a member of the Maine County Commissioners Association Self-Funded Risk Management Pool (the "Risk Pool"). The Risk Pool was created in 1989 to ensure that its members would always be able to obtain liability and property coverage, to protect members from large premium increases often found in the commercial insurance marketplace, and to provide stable annual premiums to its members. The Risk Pool provides property coverage to the County, subject to \$1,000.00 per-occurrence deductible, for its schedule of property locations with a total combined value of \$28,649,286 in 2017. The Risk Pool provides liability coverage to the County in the amounts shown on 2017 Member Coverage Certificate issued to the County.

E. Other Postemployment Benefits

The Governmental Accounting Standards Board (GASB) promulgated its Statement 45 which addressed the reporting and disclosure requirements for other post employment benefits (OPEB). Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The County is a member of the Maine Municipal Employees Health Trust. The Trust is an agent multiple employer Voluntary Employee's Beneficiary Association. The County is an individually rated member within the Association. The Trust issues a publicly available financial report. That report may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332. The Trust contracted with an outside consultant to assist in the determination and valuation of the County's OPEB liability under GASB Statement 45. The most recent OPEB liability actuarial valuation was completed by the consultants in August 2017.

Plan Descriptions – In addition to providing pension benefits, the County provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage.

Funding Policy and Annual OPEB Cost – GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The County currently plans to fund these benefits on a pay-as-you-go basis primarily from the general fund. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 - OTHER INFORMATION (Continued)

E. Other Postemployment Benefits (continued)

Net OPEB Obligation

The table below shows the development of the Net OPEB Obligation for the fiscal year ending December 31, 2016 and projects the Net OPEB Obligation for the fiscal year ending December 31, 2017. The employer contributions for the fiscal years ending December 31, 2016 and December 31, 2017 are assumed to be the Knox County's portion of actual premium payments for the retirees reported. Actual payments may vary.

Table V-1
Development of Net OPEB Obligation

	12/31/2017	12/31/2016
Net OPEB Obligation, beginning of year	\$ 436,291	\$ 378,176
Annual required contribution	\$ 56,790	\$ 64,858
Interest on Net OPEB Obligation	\$ 17,452	\$ 15,127
Less: Adj. to Annual Required Contributions	\$ (25,231)	\$ (21,870)
Annual OPEB Cost	\$ 49,011	\$ 58,115
Less: Employer Contributions - Explicit premiums		
Net OPEB Obligation, end of year	\$ 485,302	\$ 436,291

Note: The employer contribution amount above is net of any participant premiums. The amount above is an estimate and subject to update and change. The 2016 results are from the 2016 Comprehensive Annual Financial Report.

Schedule of Funding Progress

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The actuarial liability under GASB is determined assuming that the Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

Schedule of Employer Contributions

The schedule of employer contributions shows whether the employer has made contributions that are consistent with the parameters established by GASB for calculating the ARC and the annual OPEB expense. Results below are from the 12/31/16 Comprehensive Annual Financial Report.

Table V-3
Schedule of Employer Contributions

Fiscal Year Ending	Annual OBEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2017	\$ 49,011	To be determined	To be determined
2016	\$ 58,115	0.0%	\$ 436,291
2015	\$ 59,170	0.0%	\$ 378,176
2014	\$ 60,244	0.0%	\$ 319,006
2013	\$ 84,730	0.1%	\$ 258,762
2012	\$ 86,268	0.0%	\$ 174,102
2011	\$ 87,834	0.0%	\$ 87,834

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 - OTHER INFORMATION (Continued)

E. Other Postemployment Benefits (continued)

Table V-4

Note to Required Supplemental Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation Date	January 1, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Open
Amortization Period	30 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Discount Rate	4.00%
Rate of Salary Increases	2.75%
Ultimate Rate of Medical Inflation	4.00%

COUNTY OF KNOX
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET VS ACTUAL - UNASSIGNED FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2017

Exhibit F

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	3,952,931	3,952,931	3,952,931	-
Intergovernmental Revenues	110,424	110,424	111,201	777
Departmental Revenues	966,392	966,392	931,122	(35,270)
Other Local Sources	12,900	12,900	15,700	2,800
Total Revenues	5,042,647	5,042,647	5,010,954	(31,693)
Expenditures				
Emergency Management Agency	187,848	187,848	181,395	6,453
District Attorney	328,057	328,057	316,920	11,137
County Commissioners	499,129	499,129	490,950	8,179
County Treasurer	290,909	290,909	286,889	4,020
Building Maintenance	319,854	319,854	332,232	(12,378)
Building Maintenance - 301 Park Street	66,467	66,467	115,224	(48,757)
Debt Service	216,731	216,731	216,437	294
Registry of Deeds	251,840	251,840	245,683	6,157
Probate Court	255,050	255,050	256,279	(1,229)
Sheriff's Patrol	2,156,262	2,156,262	2,090,863	65,399
All Other	332,661	332,661	172,456	160,205
Total Expenditures	4,904,808	4,904,808	4,705,328	199,480
Excess Revenues Over Expenditures	137,839	137,839	305,626	167,787
Other Financing Sources (Uses)				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	(137,839)	(137,839)	(182,357)	(44,518)
Total Other Financing Sources (Uses)	(137,839)	(137,839)	(182,357)	(44,518)
Excess of Revenues and Other Sources Over (Under) Expenditures	-	-	123,269	123,269
Unassigned Fund Balance - January 1			882,099	
Jail Fund			409,555	
Airport Fund			42,680	
Dispatch Fund			207,574	
Unassigned Fund Balance - December 31			1,665,177	

COUNTY OF KNOX
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN SCHEDULES - LAST 10 FISCAL YEARS
FOR THE YEAR ENDED DECEMBER 31, 2017

Exhibit G

Schedule 1 - Proportionate Share of the Net Pension Liability:

	<i>For the Fiscal Year Ended December 31, 2017</i>	<i>For the Fiscal Year Ended December 31, 2016</i>	<i>For the Fiscal Year Ended December 31, 2015</i>
Proportion of net pension liability	0.129123%	0.061339%	0.000000%
Proportionate share of net pension liability	\$477,907	\$325,913	\$0
Covered employee payroll	\$897,758	\$847,190	\$0
Proportionate share of the net pension liability as a percentage of its covered employee payroll	0.00000014%	0.00000007%	
Plan Total Pension Liability	\$3,016,660,721	\$2,889,740,634	\$2,720,936,009
Plan Fiduciary Net Position	\$2,607,223,644	\$2,358,409,925	\$2,401,889,308
Plan Net Pension Liability	<u>\$409,437,077</u>	<u>\$531,330,709</u>	<u>\$319,046,701</u>
Plan Fiduciary Net Position as a % Of the Total Pension Liability	86.427%	81.613%	88.274%
Plan Covered Employee Payroll	\$542,572,528	\$521,870,235	\$497,616,846
Plan Net Pension Liability as a % Of the Covered Employee Payroll	75.462%	101.813%	64.115%

* Amounts presented for each fiscal year were determined as of June 30 of the previous year. A full year schedule will be displayed as it becomes available.

Schedule 2 - Schedule of County Contributions:

	<i>For the Fiscal Year Ended December 31, 2017</i>	<i>For the Fiscal Year Ended December 31, 2016</i>	<i>For the Fiscal Year Ended December 31, 2015</i>
Contractually required contribution	\$66,877	\$61,047	\$15,385
Contribution in relation to the contractually required	(\$66,877)	(\$61,047)	(\$15,385)
Contribution deficiency	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

* Amounts presented for each fiscal year were determined as of June 30 of the previous year. A full year schedule will be displayed as it becomes available.

Exhibit H

**COUNTY OF KNOX
 REQUIRED SUPPLEMENTARY INFORMATION
 OPEB - SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED DECEMBER 31, 2017**

<i>Fiscal Year Ending</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Liability</i>	<i>Unfunded Actuarial Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>	<i>(UAAL) as Percentage of Covered Payroll</i>
12/31/17	\$ -	\$ 455,273	\$ 455,273	0%	\$ 3,824,843	11.9%
12/31/16	\$ -	\$ 406,606	\$ 406,606	0%	-	N/A
12/31/15	\$ -	\$ 406,606	\$ 406,606	0%	-	N/A
12/31/14	\$ -	\$ 406,606	\$ 406,606	0%	-	N/A
12/31/13	\$ -	\$ 473,488	\$ 473,488	0%	-	N/A
12/31/12	\$ -	\$ 473,488	\$ 473,488	0%	-	N/A

**COUNTY OF KNOX
 NOTES TO HISTORICAL PENSION INFORMATION
 MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 1 - Actuarial Methods and Assumptions

The information in the historical pension information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date June 30, 2017, is as follows:

A. Actuarial Cost Method

The Entry Age Normal cost method is used to determine costs. Under this cost method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of their expected future salary. The normal cost for each employee is the product of their pay and their normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., actual decreases or increases in liabilities and/or in assets which differ from the actuarial assumptions, affect the unfunded actuarial liability.

B. Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which reduces the impact of the short-term volatility in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actual assumption for investment return.

C. Amortization

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payrolls using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 are as follows:

	<u><i>PLD Plan</i></u>
Investment Rate of Return:	6.875% per annum, compounded annually
Inflation Rate	2.75%
Rates of Salary Increase	2.75% to 9.0% at selected years of service
Cost of Living Benefit:	2.20%

For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF BUDGETED AND ACTUAL REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2017

Exhibit A-1

	<i>Budget</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Assessments	3,952,931	3,952,931	-
Intergovernmental Revenues			
Federal			
Emergency Management Agency	110,424	107,915	(2,509)
Wildlife Refuge Fees		3,286	3,286
	110,424	111,201	777
Departmental Revenue			
Treasurer - Investment Income	2,246	6,736	4,490
District Attorney	18,700	20,881	2,181
Building Maintenance	99,774	90,038	(9,736)
Registry of Deeds	445,000	434,257	(10,743)
Probate Court	125,000	132,292	7,292
Sheriff	275,672	246,918	(28,754)
	966,392	931,122	(35,270)
Other Local Sources			
Miscellaneous	12,900	15,700	2,800
	12,900	15,700	2,800
Operating Transfers In			
Transfers from Grants			-
Transfers from Reserves			-
	-	-	-
Total Revenues and Transfers	5,042,647	5,010,954	(31,693)
Fund Balance Used to Calculate Assessments			
Total	5,042,647		

	<i>Budget</i>	<i>Actual</i>	<i>(Over) Under Budget</i>
Emergency Management Agency			
Personnel Services	163,005	166,872	(3,867)
Contractual Services	11,853	12,081	(228)
Commodities	2,990	2,442	548
Capital Outlay	10,000		10,000
	<hr/> 187,848	<hr/> 181,395	<hr/> 6,453
District Attorney			
Personnel Services	270,965	270,032	933
Contractual Services	42,817	34,209	8,608
Commodities	14,275	12,679	1,596
Capital Outlay			-
	<hr/> 328,057	<hr/> 316,920	<hr/> 11,137
Administration and IT			
Personnel Services	284,453	283,991	462
Contractual Services	201,746	195,053	6,693
Commodities	4,745	4,141	604
Capital Outlay	8,185	7,765	420
	<hr/> 499,129	<hr/> 490,950	<hr/> 8,179
Finance			
Personnel Services	240,075	238,184	1,891
Contractual Services	46,834	46,674	160
Commodities	4,000	2,031	1,969
	<hr/> 290,909	<hr/> 286,889	<hr/> 4,020
Building Maintenance			
Contractual Services	184,699	204,421	(19,722)
Commodities	68,066	60,722	7,344
Capital Outlay	67,089	67,089	-
	<hr/> 319,854	<hr/> 332,232	<hr/> (12,378)
Building Maintenance 301 Park St.			
Contractual Services	60,057	106,952	(46,895)
Commodities	6,410	8,272	(1,862)
	<hr/> 66,467	<hr/> 115,224	<hr/> (48,757)
Debt Service			
Jail Bond Principal	170,000	170,000	-
Jail Bond Interest	40,731	40,731	-
Interest - Tax Anticipation Note	6,000	5,706	294
	<hr/> 216,731	<hr/> 216,437	<hr/> 294

**COUNTY OF KNOX
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2017**

*Exhibit A-2
Page 2 of 2*

	<i>Budget</i>	<i>Actual</i>	<i>(Over) Under Budget</i>
Registry of Deeds			
Personnel Services	190,514	189,929	585
Contractual Services	59,476	54,060	5,416
Commodities	1,850	1,694	156
	<u>251,840</u>	<u>245,683</u>	<u>6,157</u>
Probate Court			
Personnel Services	230,200	228,642	1,558
Contractual Services	21,320	21,585	(265)
Commodities	3,530	6,052	(2,522)
	<u>255,050</u>	<u>256,279</u>	<u>(1,229)</u>
Sheriff's Patrol			
Personnel Services	1,893,888	1,859,518	34,370
Contractual Services	116,171	110,248	5,923
Commodities	76,203	85,616	(9,413)
Capital Outlay	70,000	35,481	34,519
	<u>2,156,262</u>	<u>2,090,863</u>	<u>65,399</u>
Other			
Knox-Lincoln Extension Service	57,042	57,042	-
Knox-Lincoln Soil & Water	27,473	20,605	6,868
Eastern Maine Development	2,500	9,368	(6,868)
Insurance	99,887	85,441	14,446
Overlay	145,759		145,759
	<u>332,661</u>	<u>172,456</u>	<u>160,205</u>
Transfers Out			
DA Grant	137,839	137,839	-
Grants			-
Reserves		44,518	(44,518)
	<u>137,839</u>	<u>182,357</u>	<u>(44,518)</u>
Total Appropriations	<u>5,042,647</u>	<u>4,887,685</u>	<u>154,962</u>

**COUNTY OF KNOX
GENERAL FUND
STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2017**

Exhibit A-3

Unassigned Fund Balance January 1	882,099	
Unassigned Fund Balance December 31	<u>1,005,368</u>	
Increase (Decrease)		<u><u>123,269</u></u>

Analysis of Change

Budget Surplus (Deficit) Revenue Deficit (Exhibit A-1)	(31,693)	
Unexpended (Overdraft) Balance of Appropriations (Exhibit A-2)	<u>154,962</u>	
Budget Surplus (Deficit)		<u>123,269</u>
Deductions Fund Balance Used to Calculate Assessments		<u>-</u>
Increase (Decrease)		<u><u>123,269</u></u>

***Reconciliation Between General Unassigned Fund Balance
and Exhibit C Unassigned Fund Balance:**

General Fund Unassigned Fund Balance - Exhibit A-3	1,005,368
Jail Fund	409,555
Airport Fund	42,680
Dispatch Fund	<u>207,574</u>
Total Unassigned Fund Balance Exhibit C	<u><u>1,665,177</u></u>

**COUNTY OF KNOX
ALL GENERAL RESERVES
BALANCE SHEET
DECEMBER 31, 2017**

Exhibit A-4

<i>Assets</i>	<i>General Reserves</i>	<i>Jail Fund</i>	<i>Airport Fund</i>	<i>Inmate Fund</i>	<i>Dispatch Fund</i>	<i>Totals</i>
Cash and Equivalents	122,055			99,842		221,897
Investments	522,148					522,148
Accounts Receivable	69	1,716	87,336		95	89,216
Due from Other Funds	27,643	720,099			240,150	987,892
Total Assets	671,915	721,815	87,336	99,842	240,245	1,821,153
<i>Liabilities and Fund Balances</i>						
<i>Liabilities</i>						
Accrued Salaries		89,822	11,262		32,671	133,755
Accounts Payable		3,009	2,384	1,312		6,705
Due to Other Funds	53,461		31,010			84,471
Deferred Revenues		219,429				219,429
Total Liabilities	53,461	312,260	44,656	1,312	32,671	444,360
<i>Fund Balances</i>						
Committed	618,454					618,454
Assigned				98,530		98,530
Unassigned		409,555	42,680		207,574	659,809
Total Fund Balances	618,454	409,555	42,680	98,530	207,574	1,376,793
Total Liabilities and Fund Balances	671,915	721,815	87,336	99,842	240,245	1,821,153

COUNTY OF KNOX
ALL GENERAL RESERVES
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017

Exhibit A-5

	General Reserves Exhibit A-6	Jail Fund Exhibit A-7	Airport Fund Exhibit A-8	Inmate Fund	Dispatch Fund Exhibit A-9	Totals Totals
Revenues						
Assessments		3,382,892	97,865		1,061,957	4,542,714
Intergovernmental Revenues						
Federal		7,000	54,750			61,750
State		418,187				418,187
Interest	7,793					7,793
Fair Value Increase (Decrease)	(4,065)					(4,065)
Other Local Sources	184,353	906	449,556	48,269	293	683,377
Total Revenues	188,081	3,808,985	602,171	48,269	1,062,250	5,709,756
Expenditures						
Personnel Services		2,526,285	347,304		918,047	3,791,636
Contract Services		913,727	165,232		131,641	1,210,600
Commodities		142,079	20,212		5,913	168,204
Capital Outlay		190,840	13,131		46,870	250,841
Maintenance and Supplies				13,773		13,773
Reserve Funds	188,672					188,672
Total Expenditures	188,672	3,772,931	545,879	13,773	1,102,471	5,623,726
Excess of Revenues Over (Under) Expenditures	(591)	36,054	56,292	34,496	(40,221)	86,030
Other Financing Sources (Uses)						
Transfers from Other Funds	27,712	80,431				108,143
Transfers to Other Funds	-	(19,212)	(37,369)	(80,431)		(137,012)
Total Other Financing Sources (Uses)	27,712	61,219	(37,369)	(80,431)	-	(28,869)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	27,121	97,273	18,923	(45,935)	(40,221)	57,161
Fund Balance - January 1	591,333	312,282	23,757	144,465	247,795	1,319,632
Fund Balance - December 31	618,454	409,555	42,680	98,530	207,574	1,376,793

**COUNTY OF KNOX
GENERAL RESERVES
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Fund Balance January 1	New Funds	Transfers From Other Funds	Interest	Increase (Decrease) in Fair Value	Transfers To Other Funds	Expenditures	Fund Balance December 31
Reserve Fund	4,557			70	(23)		(467)	4,137
Airport Computer			8,500					8,500
Airport Retirement	99,427			1,550	(780)			100,197
Contingency	10,101			157	(79)			10,179
Courthouse Computer	98	1,785		8	(18)		(971)	902
DARE Program	31,172	25,275		592	(710)			56,329
Deeds Surcharge	10,588			67	(132)			10,523
Dispatch Computer	44,956			102	(655)			44,403
Dispatch Miscellaneous	1,906			30	(15)			1,921
Dispatch Professional Services	19,157			298	(150)			19,305
EMA Disaster Fund	64,409	2,032		886	138		(28,421)	39,044
Forfeiture Money - State	45,810	9,030		752	(519)			55,073
Generator Reserve	14,940			233	(117)			15,056
Health Insurance	64,381	139,193		416			(135,398)	68,592
Jail Community Based	7,277			114	(57)			7,334
Jail Computer	22,945		19,212	172	337		(23,415)	39
Jail Professional Services								19,212
Jail Retirement	8,069			126	(63)			8,132
Jail Training	20,677			321	(162)			20,836
Legal	20,650			322	(162)			20,810
Matching Grant Funds	3,441			53	(27)			3,467
Orthoimagery	32,996	3,350		529	(320)			36,555
Probate Surcharge	13,644			213	(107)			13,750
Resignation Benefits	26,403	3,688		411	(257)			30,245
Retirement	837			14	(7)			844
Security Deposit	10							10
Sheriff's Computer	22,882			357	(180)			23,059
Unemployment								
Total	591,333	184,353	27,712	7,793	(4,065)	-	(188,672)	618,454

JAIL FUND

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Assessments	3,382,892	3,382,892	3,382,892	-
Intergovernmental Revenues	417,291	417,291	425,187	7,896
Other Local Sources	70	70	906	836
Total Revenues	3,800,253	3,800,253	3,808,985	8,732
Expenditures				
Personnel Services	2,746,405	2,746,405	2,526,285	220,120
Contractual	744,180	744,180	913,727	(169,547)
Commodities	150,554	150,554	142,079	8,475
Capital	185,639	185,639	190,840	(5,201)
Total Expenditures	3,826,778	3,826,778	3,772,931	53,847
Excess Revenues Over Expenditures	(26,525)	(26,525)	36,054	62,579
Other Financing Sources (Uses)				
Transfers from Other Funds	26,525	26,525	80,431	53,906
Transfers to Other Funds			(19,212)	(19,212)
Total Other Financing Sources (Uses)	26,525	26,525	61,219	34,694
Excess of Revenues and Other Sources Over (Under) Expenditures	-	-	97,273	97,273
Unassigned Fund Balance - January 1			312,282	
Unassigned Fund Balance - December 31			409,555	

COUNTY OF KNOX
AIRPORT FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

Exhibit A-8

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	97,865	97,865	97,865	-
Intergovernmental Revenues	54,750	54,750	54,750	-
Other Local Sources	412,809	412,809	449,556	36,747
Total Revenues	565,424	565,424	602,171	36,747
Expenditures				
Personnel Services	371,167	362,667	347,304	15,363
Contractual	127,382	127,382	165,232	(37,850)
Commodities	24,875	24,875	20,212	4,663
Capital	42,000	13,131	13,131	-
Total Expenditures	565,424	528,055	545,879	(17,824)
Excess Revenues Over Expenditures	-	37,369	56,292	18,923
Other Financing Sources (Uses)				
Transfers from Other Funds				-
Transfers to Other Funds		(37,369)	(37,369)	-
Total Other Financing Sources (Uses)	-	(37,369)	(37,369)	-
Excess of Revenues and Other Sources Over (Under) Expenditures	-	-	18,923	18,923
Unassigned Fund Balance - January 1			23,757	
Unassigned Fund Balance - December 31			42,680	

**COUNTY OF KNOX
DISPATCH FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017**

Exhibit A-9

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	1,061,957	1,061,957	1,061,957	-
Other Local Sources			293	293
Total Revenues	1,061,957	1,061,957	1,062,250	293
Expenditures				
Personnel Services	904,542	904,542	918,047	(13,505)
Contractual	146,915	146,915	131,641	15,274
Commodities	10,500	10,500	5,913	4,587
Capital	50,673	50,673	46,870	3,803
Total Expenditures	1,112,630	1,112,630	1,102,471	10,159
Excess Revenues Over Expenditures	(50,673)	(50,673)	(40,221)	10,452
Other Financing Sources (Uses)				
Transfers from Other Funds				-
Transfers to Other Funds				-
Total Other Financing Sources (Uses)	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>(50,673)</u>	<u>(50,673)</u>	<u>(40,221)</u>	<u>10,452</u>
Unassigned Fund Balance - January 1			<u>247,795</u>	
Unassigned Fund Balance - December 31			<u>207,574</u>	

**COUNTY OF KNOX
GRANT FUNDS
BALANCE SHEET
DECEMBER 31, 2017**

Exhibit B-1

<i>Assets</i>	<i>Wellness Grant</i>	<i>Victim/Witness Advocate Grant</i>	<i>Local Emergency Planning Committee</i>	<i>Bullet Proof Vest Grant</i>	<i>Totals</i>
Cash and Equivalents			57,581		57,581
Accounts Receivable	55				55
Due from Other Governments			13,594	225	13,819
Due from Other Funds		6,317	188		6,505
Total Assets	55	6,317	71,363	225	77,960
 <i>Liabilities and Fund Balances</i>					
Liabilities					
Due to Other Funds	610			225	835
Total Liabilities	610	-	-	225	835
 Fund Balances					
Restricted		6,317	71,363		77,680
Unassigned	(555)				(555)
Total Fund Balances	(555)	6,317	71,363	-	77,125
Total Liabilities and Fund Balances	55	6,317	71,363	225	77,960

COUNTY OF KNOX
ALL SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Wellness Grant	Victim/Witness Advocate Grant	Local Emergency Planning Committee	Byrne Jag Grant	Historic Preservation Grant	MMA Safety Grant	Evidence Based Impaired Driving Grant
Revenues							
Intergovernmental Revenues							
Federal		55,000	58,765	15,274	24,995		14,050
State			6,477				
Local Sources	3,360					465	
Interest			341				
Total Revenues	3,360	55,000	65,583	15,274	24,995	465	14,050
Expenditures							
Personnel Services		153,311	4,023				14,050
Contract Services		1,755	1,303				
Capital Outlay				11,173	95,314		
Other	4,463	36,666	84,779	4,101	231	465	
Total Expenditures	4,463	191,732	90,105	15,274	95,545	465	14,050
Excess of Revenues Over (Under) Expenditures	(1,103)	(136,732)	(24,522)	-	(70,550)	-	-
Other Financing Sources (Uses)							
Transfers from Other Funds		137,839			70,550		
Transfers to Other funds							
Total Other Financing Sources (Uses)	-	137,839	-	-	70,550	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,103)	1,107	(24,522)	-	-	-	-
Fund Balance - January 1	548	5,210	95,885				
Fund Balance - December 31	(555)	6,317	71,363	-	-	-	-

COUNTY OF KNOX
ALL SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Pen Bay YMCA Party Patrols	Underage Drinking Grant	Data Driven Speed Enforcement	Bullet Proof Vest Grant	CIOT HVE Campaign Safety Belt	Totals
Revenues						
Intergovernmental Revenues						
Federal		3,650	18,550	2,250	6,750	199,284
State						6,477
Local Sources	1,000					4,825
Interest						341
Total Revenues	1,000	3,650	18,550	2,250	6,750	210,927
Expenditures						
Personnel Services	1,000	3,650			6,750	182,784
Contract Services						3,058
Commodities			18,550	2,250		106,487
Other	1,000	3,650	18,550	2,250	6,750	151,505
Total Expenditures	1,000	3,650	18,550	2,250	6,750	443,834
Excess of Revenues Over (Under) Expenditures	-	-	-	-	-	(232,907)
Other Financing Sources (Uses)						
Transfers from Other Funds						208,389
Transfers to Other Funds						-
Total Other Financing Sources (Uses)	-	-	-	-	-	208,389
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	-	-	(24,518)
Fund Balance - January 1						101,643
Fund Balance - December 31	-	-	-	-	-	77,125

**COUNTY OF KNOX
ALL CAPITAL PROJECT FUNDS
BALANCE SHEET
DECEMBER 31, 2017**

*Exhibit C-1
Page 1 of 2*

<i>Assets</i>	<i>Snow Removal Equipment Building</i>	<i>Airport Obstruction Removal</i>	<i>Airport Misc. Proj #52</i>	<i>Airport Design & Permitting</i>	<i>Airport Environmental Assessment</i>	<i>Airport Master Plan Update</i>
Cash and Equivalents						
Investments						
Accounts Receivable						
Prepaid Expenditures						
Due From Other Funds						
Due from Other Governments	48,900		13,900		5,177	
Total Assets	48,900	-	13,900	-	5,177	-
Liabilities and Fund Balances						
Liabilities						
Retainage Payable						
Due to Other Funds	49,445	708	13,902	264	5,819	70
Total Liabilities	49,445	708	13,902	264	5,819	70
Fund Balances						
Restricted						
Committed						
Unassigned	(545)	(708)	(2)	(264)	(642)	(70)
Total Fund Balances	(545)	(708)	(2)	(264)	(642)	(70)
Total Liabilities and Fund Balances	48,900	-	13,900	-	5,177	-

**COUNTY OF KNOX
ALL CAPITAL PROJECT FUNDS
BALANCE SHEET
DECEMBER 31, 2017**

**Exhibit C-1
Page 2 of 2**

<i>Assets</i>	<i>Airport Extend Runway</i>	<i>Airport - RSA Improvement Project</i>	<i>Airport Passenger Facility</i>	<i>Airport Rehabilitate Runway</i>	<i>Capital Improvements</i>	<i>Totals</i>
Cash and Equivalents			62,667		60	62,727
Investments					656,726	656,726
Accounts Receivable			2,917			2,917
Prepaid Expenditures		79,727				79,727
Due from Other Funds					46,886	46,886
Due from Other Governments	272,135	72,091		97,920		510,123
Total Assets	272,135	151,818	65,584	97,920	703,672	1,359,106
<i>Liabilities and Fund Balances</i>						
Liabilities						
Retainage Payable	171,245					171,245
Due to Other Funds	100,890	151,818	65,584	99,042	69,099	556,641
Total Liabilities	272,135	151,818	65,584	99,042	69,099	727,886
Fund Balances						
Restricted						-
Committed					634,573	634,573
Unassigned				(1,122)		(3,353)
Total Fund Balances	-	-	-	(1,122)	634,573	631,220
Total Liabilities and Fund Balances	272,135	151,818	65,584	97,920	703,672	1,359,106

**COUNTY OF KNOX
ALL CAPITAL PROJECT FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017**

*Exhibit C-2
Page 1 of 2*

	Snow Removal Equipment Building	Airport Obstruction Removal	Airport Misc. Proj #52	Airport Design & Permitting	Airport Environmental Assessment	Airport Master Plan Update
Revenues						
Intergovernmental Revenues						
Federal	58,292		20,849		4,748	
State	(3,049)		726		300	
Local Sources						
Total Revenues	55,243	-	21,575	-	5,048	-
Expenditures						
Engineering Services	65,438		21,959		5,276	
Construction	792	77	1,164	78	46	78
Professional Services	55		72			
All Other						
Total Expenditures	66,285	77	23,195	78	5,990	78
Excess of Revenues Over (Under) Expenditures	(11,042)	(77)	(1,620)	(78)	(942)	(78)
Other Financing Sources (Uses)						
Transfers from Other Funds	10,497	4	1,618	4	300	8
Transfers to Other Funds						
Total Other Financing Sources (Uses)	10,497	4	1,618	4	300	8
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(545)	(73)	(2)	(74)	(642)	(70)
Fund Balance - January 1	-	(635)		(190)		-
Fund Balance - December 31	(545)	(708)	(2)	(264)	(642)	(70)

**COUNTY OF KNOX
ALL CAPITAL PROJECT FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Exhibit C-2
Page 2 of 2

Revenues	Airport Extend Runway	Airport - RSA Improvement Project	Airport - Passenger Facility	Airport Rehabilitate Runway	Capital Improvements	Totals
Intergovernmental Revenues						
Federal	1,787,618	68,296	30,614			1,970,417
State	99,312	3,794		(1,554)		99,529
Local Sources			178		45,411	45,589
Total Revenues	1,886,930	72,090	30,792	(1,554)	45,411	2,115,535
Expenditures						
Engineering Services	260,050					287,285
Construction	1,720,890	75,884				1,862,880
Professional Services	3,434			1,231		6,900
All Other	1,868			15	369,059	371,069
Total Expenditures	1,986,242	75,884	-	1,246	369,059	2,528,134
Excess of Revenues Over (Under) Expenditures	(99,312)	(3,794)	30,792	(2,800)	(323,648)	(412,599)
Other Financing Sources (Uses)						
Transfers from Other Funds	99,312	3,794		1,678	79,387	190,602
Transfers to Other Funds			(57,431)		(130,334)	(187,765)
Total Other Financing Sources (Uses)	99,312	3,794	(57,431)	1,678	(56,947)	2,837
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	(26,639)	(1,122)	(380,595)	(409,762)
Fund Balance - January 1	-	-	26,639		1,015,168	1,040,982
Fund Balance - December 31	-	-	-	(1,122)	634,573	631,220

**COUNTY OF KNOX
CAPITAL IMPROVEMENTS
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2017**

<i>Reserve Fund</i>	<i>Fund Balance January 1</i>	<i>New Funds</i>	<i>Transfers From Other Funds</i>	<i>Interest</i>	<i>Increase (Decrease) in Fair Value</i>	<i>Transfers To Other Funds</i>	<i>Expenditures</i>	<i>Fund Balance December 31</i>
Courthouse Maintenance	339,966	8,554		546	(3,979)	(70,550)		274,537
EMA Vehicle			10,000				(6,000)	10,000
Forfeiture Money - Federal	6,055			5				60
Jail Capital	599,183			1,727	(4,015)		(356,255)	240,640
Jail Vehicle	27,192	3,000		260	(347)		(1,221)	28,884
Sheriff's Vehicle	28,866		34,518	267	(276)		(3,766)	59,609
Airport	13,862			443	(223)			14,082
Airport Miscellaneous Equipment	44		2,369	130	170			2,713
Airport Projects	-	40,000	26,500	38	(889)	(59,784)	(1,817)	4,048
Total	1,015,168	51,554	73,387	3,416	(9,559)	(130,334)	(369,059)	634,573

COUNTY OF KNOX
AGENCY FUNDS

Exhibit D-1

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<i>Balance January 1</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance December 31</i>
<i>Inmates Fund</i>				
<i>Assets</i>				
Cash and Equivalents	14,245	96,846	(99,585)	11,506
<i>Liabilities</i>				
Due to Inmates	14,245	96,846	(99,585)	11,506

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 14, 2018

County Commissioners
County of Knox
Rockland, ME 04841

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Knox, Maine as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County of Knox, Maine's basic financial statements and have issued our report thereon dated June 14, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Knox, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Knox, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Knox, Maine's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent; or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Knox, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements; noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

June 14, 2018

County Commissioners
County of Knox
Rockland, ME 04463

Report on Compliance for Each Major Federal Program

We have audited County of Knox, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Knox, Maine's major federal programs for the year ended December 31, 2017. The County of Knox, Maine's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of County of Knox, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Audits Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about the County of Knox, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County of Knox, Maine's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Knox, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of the County of Knox, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Knox, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Knox, Maine's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA

SCHEDULE I
COUNTY OF KNOX
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2017

No Prior Audit Findings

SCHEDULE II
COUNTY OF KNOX
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the County of Knox, Maine.
2. No reportable conditions relating to the audit of the financial statements are reported in the *Report on Compliance and on Internal Control over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the County of Knox, Maine were disclosed during the audit.
4. No conditions relating to the audit of the major federal award programs are reported in the *Report on Compliance for Each Major Program and Internal Control over Compliance Required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal award program for the County of Knox, Maine expresses an unmodified opinion.
6. Audit findings relative to the major federal award program for the County of Knox, Maine are reported in Part C of this schedule.
7. The programs tested as a major programs are :
 - FAA – Airport Improvements CFDA # 20.106.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The County of Knox, Maine was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

COUNTY OF KNOX

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE III
Page 1 of 2

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Expenditures
U.S. Department of Transportation Passed Through Maine Bureau of Highway Safety				
2017 Evidence Based Impaired Driving HVE	20.600	ID17-042	20,500	14,050
2017 Data Driven Speed Enforcement	20.600	PT 17-037	22,000	18,550
2017 Click it Or Ticket BUNE HVE	20.616	OPB17-056	11,200	6,750
			53,700	39,350
Interagency Hazardous Materials Public Sector Training	20.703	HM8038	7,890	4,271
Federal Aviation Administration				
Airport Improvements - Snow Removal Equip. Bld.	20.106	3-23-0042-47-2014	880,200	58,292
Airport Improvements - Environmental	20.106	3-23-0042-51-2016	93,600	4,748
Airport Improvements - Misc. Projects #52	20.106	3-23-0042-52-2016	250,200	20,849
Airport Improvements - Extend Runway	20.106	3-23-0042-53-2017	2,354,400	1,787,618
Airport Improvements - Passenger Facility Fees	20.106		30,614	30,614
Total Federal Aviation Administration			3,609,014	1,902,121
Total U.S. Department of Transportation			3,670,604	1,945,742
U.S. Department of Homeland Security				
Airport Security	97.075	HSTS02-12-R-SLR349	54,750	54,750
			54,750	54,750
Passed Through Maine Dept. of Defense, Veterans, and Emergency Management EMA Project Reimbursement	97.067	EMW-2014-EP-00069	133,904	21,734

**COUNTY OF KNOX
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

**SCHEDULE III
Page 2 of 2**

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Agency or Pass-through Number</i>	<i>Program or Award Amount</i>	<i>Expenditures</i>
2015 Homeland Security	97.067	EMW-2015-SS-00038	67,842	22,450
2016 Homeland Security	97.067	EMW-2016-SS-00080	71,865	21,149
2017 Homeland Security	97.067	EMW-2017-SS-00052	70,727	15,159
Hazard Mitigation Planning	97.067	DMC-PL-01-ME-2015-00	15,000	15
			359,338	80,507
Total U.S. Department of Homeland Security			414,088	135,257
U.S. Department of Interior Passed Through Maine Historic Preservation Commission Historic Preservation Fund Grants - In Aid	15.904	20160920*948	24,995	24,995
Total U.S. Department of Interior			24,995	24,995
U.S. Department of Justice Passed Through Maine Department of Human Services Byrne/JAG Grant Bullet Proof Vest Grant Crime Victims Assistance Crime Victims Assistance Total U.S. Department of Justice	16.738 16.607 16.575 16.575	KNX 01-14 OVP-18-2304 OVP-17-2304	15,274 2,250 55,000 55,000 127,524	15,274 2,250 13,750 41,250 72,524
Total			4,237,211	2,178,518

COUNTY OF KNOX
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of County of Knox under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of County of Knox, it is not intended to and does not present the financial position, changes in net assets, or cash flows of County of Knox.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The County did not elect to use the 10% de minimis indirect cost rate.

NOTE B – PASS-THROUGH AWARDS

The County of Knox, Maine receives certain federal awards in the form of pass-through awards from the State of Maine. Such amounts received as pass-through awards are specifically identified on the Schedule.

NOTE C – MAJOR PROGRAMS

In accordance with the Uniform Guidance, major programs are determined using a risk-based approach. Programs in the accompanying Schedule denoted with an asterisk (*) are determined by the independent auditor to be major programs.